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DEFENSE RESTS IN TRIAL OF ACCUSED SWINDLER CLAIMING CIA TIES
HONOLULU, HI

The defense has rested its case in the federal fraud and perjury trial of a man accused of stealing millions of dollars of investors' funds who claims he was set up by the CIA.

Attorneys for Ronald R. Rewald rested their case Thursday without calling two planned final witnesses to testify about purported CIA arms deals. They said the judge probably would not have allowed them to present evidence about the deals.

The prosecution was expected to call a number of rebuttal witness before the case went to the jury.

Rewald's Honolulu investment counseling firm, Bishop, Baldwin, Rewald, Dillingham & Wong, collapsed in 1983 after about 400 investors had placed about \$22 million in the company over a five-year period. Little of the money has been recovered and authorities allege Rewald spent most of it.

Rewald says he was acting under CIA orders, and claims the CIA planned to financially support the firm. He said the spy agency left him in the lurch when the company came under federal and state regulatory scrutiny.

The CIA says it used the company as commercial cover for agents, but declines any ties to its financial activities.

Earlier in the week, defense attorneys said they would not call Rewald to the stand after U.S. District Judge Harold Fong ruled he could not discuss a sealed affidavit in which he detailed his alleged ties to the spy agency. Fong has ruled such information is irrelevant to the criminal trial unless it can be proved that the CIA actually managed investors' money.

Defense attorneys said Thursday they would not call their final two witnesses to testify about purported arms deals, contending Fong probably would refuse to allow admission of documents and other evidence on grounds they also were irrelevant to the criminal charges.

Fong said that unless there was evidence a deal was completed, there was no reason to believe money for the arms came from Bishop Baldwin or that the company received a commission for the deal.

"The court saw none in the documents before it," Fong said.

The defense had planned to call former CIA agent Ralph McGehee and Leonard Mednick, a certified public accountant. McGehee was to testify as an expert witness about CIA practices.

Mednick was expected to testify that the company was showing progress toward completing a CIA arms deal, and that it could have received a \$10 million commission for the transaction.